

# A decade of true empowerment for MMI and KTH

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October 2014 marks a 10-year empowerment partnership milestone between MMI Holdings Limited (MMI) and Kagiso Tiso Holdings (KTH).

It was in 2004 that this tried and tested partnership began, when Kagiso Trust Investments (KTI) – now KTH following a merger with Tiso Group – acquired a 10% shareholding in Metropolitan, becoming MMI's strategic empowerment partner of choice. Now KTH owns 114 million MMI shares, 7.1% of the total issued share capital, with a market value of about R3 billion.

Nicolaas Kruger, MMI CEO says, "This is one empowerment partnership that has stood the test of time. Not only has it survived the financial crisis but it has managed to endure two major mergers both within MMI and KTH, with both parties undergoing management changes. Today, our relationship stands firm as a result of many shared values including honesty, trust and integrity."

At the onset of this partnership, KTI fell under the leadership of the late anti-apartheid activist, Eric Molobi, a pioneer in the broad-based black economic empowerment space in the early 90s. Its controlling shareholder at that time was Kagiso Trust, a charitable

organisation set up by the South African Council of Churches in the mid-80s to provide assistance to underprivileged communities, with a focus on education, healthcare and general poverty alleviation.

"It was in this organisation that we found a partner committed to true empowerment and transformation with a broad beneficiary base," says Kruger.

Following the negotiations leading up to the transaction, Metropolitan's then CEO, Peter Doyle and Financial Director Preston Speckmann, along with Eric Molobi, JJ Njeke and Andile Sangqu of KTI cemented a strong and lasting relationship born out of trust and respect, which formed the basis of the partnership going forward.

In 2004, the partnership officially began when KTI acquired a stake in Metropolitan, a shareholding that was subsequently increased between 2005 and 2007. KTH's shareholding was diluted in 2010 with the merger of Metropolitan and Momentum to form MMI.

As the partnership was due to come to an end in 2012, a new agreement was reached which would facilitate KTH's meaningful economic shareholding in MMI for at least another five years.

On this move Kruger commented, "As a committed South African corporate citizen, empowerment and transformation are integral to the way we do business at MMI. Having a partnership with KTH is an important pillar in strengthening our empowerment foundation. Both parties have benefitted from the partnership in the past. We

are very pleased to be able to continue this important strategic partnership into the future."

Furthermore, KTH CEO Vuyisa Nkonyeni added, "As an investment company looking to create value for our broad base of shareholders, we see MMI as a key entry point into the financial services market in South Africa, which is consistent with the KTH group's investment strategy. We see potential for sustainable growth and cashflow generation into the future. The partnership is therefore of great importance to us and it was a natural progression to extend it. MMI has also been a key partner to KTH in the broader execution of our strategy through investing through the KTH Domestic Medium Term Note Programme and the part funding of certain KTH investments."

With regards to both parties benefiting, while many other BEE transactions were not as successful— particularly during the 2008 economic crisis – the success of this partnership could be attributed to a couple of factors.

Firstly, the strength of the relationship played a major role as both parties had persevered through two major mergers and a number of management changes on both sides. Robust cash flows, together with a simple but effective financial structure, also enabled KTH to redeem all external funding for the transactions, which was achieved through a combination of strong operational cash flows from MMI and quantitative margins earned by KTH based on predefined BEE deliverables, at almost no cost to MMI shareholders.

Through this partnership, KTH acquired a meaningful economic shareholding in MMI, which has been a significant investment in the KTH stable. In addition, it has also delivered significant immediate tangible and long-term value to both sets of shareholders.

"KTH has proven to be a supportive and effective BEE partner over the years. It has helped us as MMI achieve our strategic objectives, maintain and strengthen our broad-based BEE ownership credentials, which has helped us secure a number of business opportunities. With this in mind, we can only look forward to a prosperous future," says Kruger.



